



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Chuck Reed  
Councilmember Madison Nguyen

**SUBJECT:** HISTORY SAN JOSE

**DATE:** 10-11-07

Approved

*Madison P. Nguyen*

Date

*10/12/07*

*Chuck Reed*

## **RECOMMENDATION**

Approve staff's recommendation and adopt the following principle to guide staff in working with History San Jose's proposal: Until the structural budget deficit has been eliminated, the General Fund subsidy should not exceed the total cost of maintenance, security and utilities such that the facility is available for public use. Funding for programming should be generated from operating revenues or from other sources.

## **BACKGROUND**

History San Jose has provided the community with diverse exhibits, an extensive permanent collection of historical materials, and comprehensive educational programs to schools around the region. It is a key cultural facility. Per an operations and maintenance agreement between the City of San José and History San Jose, the City turned over responsibility for the facility and collections to History San Jose. A key provision of the agreement was a mutually agreed upon provision that provided for a schedule of declining operations and maintenance subsidy by the City to History San Jose. This approach was in response to History San Jose's request that more support be provided "up front," as the organization was confident that its fund raising capacity would be strengthened over time, thus lessening the amount of City General Fund support.

Although History San Jose has operated as a non-profit entity since 1998, it has encountered significant financial problems and has not adjusted its operating levels to reduce the impact of the planned reduction in the City subsidy over time. It is clear that History San Jose does not have the revenues to continue to provide its current level of services.

Over the past six years, the City has been faced with difficult budgetary problems and still needs to grapple with its structural budget deficit. Next year's budget shortfall is expected to be \$25 million and services are expected to be reduced. The City's priority must be to protect basic city services.